

Congress of the United States

JOINT COMMITTEE ON TAXATION

Washington, DC 20515-6453

MEMORANDUM

JUL 21 2014

TO:

FROM:

SUBJECT: Revenue Estimate of S. 2569

This memorandum is in response to your request dated June 27, 2014, for a revenue estimate of S. 2569, the "Bring Jobs Home Act." The bill provides a 20-percent tax credit for eligible expenses associated with relocating a business unit from a foreign country to the United States and disallows a deduction for business expenses associated with relocating a business unit from the United States to a foreign country.

Under present law, there are no targeted tax credits or disallowances of deductions related to relocating business units inside or outside the United States. Deductions generally are allowed for all ordinary and necessary expenses paid or incurred by the taxpayer during the taxable year in carrying on any trade or business. These ordinary and necessary expenses may include expenditures for the relocation of a business unit.

S. 2569 provides an income tax credit equal to 20 percent of the amount of certain otherwise deductible expenses (and certain other expenses such as permit and license fees, lease brokerage fees, and equipment installation costs that may not otherwise always be deductible) paid or incurred by the taxpayer in connection with the relocation of a business unit of the taxpayer (or of any member of an expanded affiliated group of which the taxpayer is a member) from a foreign country to the United States. This credit is in addition to the deductions that the taxpayer may claim for qualifying expenses.

The credit includes the following parameters, among others. Expenses that may be taken into account in computing the credit must be paid or incurred under a written plan to carry out the relocation and do not include compensation paid or incurred in connection with severance from employment. No credit is allowed unless the number of full-time equivalent ("FTE") employees of the taxpayer for the taxable year for which the credit is claimed exceeds the number of FTE employees of the taxpayer for the preceding taxable year, with all employers that are treated as a single employer under section 414(b), (c), (m), or (o) treated as a single taxpayer for this purpose. The credit is part of the present law section 38 general business credit.

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S. 2569 disallows a deduction for expenses paid or incurred in connection with the relocation of a business unit of the taxpayer (or of any member of an expanded affiliated group of which the taxpayer is a member) from within the United States to a foreign country. The outsourcing expenses for which a deduction may be denied are the same as the insourcing expenses that may be taken into account in computing the credit. If a deduction for depreciation or amortization is denied under this rule, the amount so denied may not be capitalized or amortized.

S. 2569 includes special rules related to the U.S. possessions. For purposes of the insourcing credit and outsourcing deduction denial, the United States includes the U.S. possessions. Under the insourcing credit, the Secretary of the Treasury will make payments to each possession with a mirror code tax system in an amount equal to the loss to that possession by reason of the credit. The Secretary of the Treasury will make annual payments to each non-mirror code possession in an amount equal to the benefits that would have been provided to residents of such possession by reason of the credit if the possession had a mirror code if effect, but only if the non-mirror code possession has a plan that has been approved by the Treasury Secretary under which it will distribute such payments to its residents. S. 2569 disallows the insourcing credit against U.S. income tax to any taxpayer (1) to whom a credit is allowed against possession income tax by reason of the bill or (2) that is eligible for the payment from a possession just described.

S. 2569 provides that under the present law section 952(c) limitation on a controlled foreign corporation's subpart F income to the corporation's current year earnings and profits, earnings and profits are computed without regard to any outsourcing expense for which a U.S. deduction would be denied.

S. 2569 is effective for amounts paid or incurred after the bill's date of enactment.

In estimating S. 2569, we assume that there will be a behavioral response in how firms classify their relocation expenses in order to maximize their expenses eligible for the insourcing credit and to minimize expenses for which a deduction is disallowed under the outsourcing provision of the bill.

The following estimate provides the effect of S. 2569 on Federal fiscal year budget receipts. This estimate assumes a date of enactment of September 30, 2014.

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Fiscal Years
[Millions of Dollars]

<u>Item</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2015-24</u>
Provide a 20-percent credit for expenses associated with insourcing.....	-19	-30	-33	-35	-36	-38	-39	-41	-43	-44	-357
Disallow deduction for expenses associated with outsourcing.....	9	12	13	14	14	15	15	16	17	17	143
Total	-10	-18	-20	-21	-22	-23	-24	-25	-26	-27	-214

NOTE: Details may not add to totals due to rounding.